

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 IO-11 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /118 W

----- 007214

R 101601Z FEB 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 2110

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

USDEL MTN GENEVA

AMCONSUL ZURICH

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DEPT PASS TREASURY AND FRB

EO 11652: N/A

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF FEBRUARY 1-7

SUMMARY: THE DOLLAR WAS RELATIVELY STABLE THIS WEEK WHILE GOLD PRICES FLUCUATED UPWARD. THE SWISS NATIONAL BANK (SNB) HAS INCREASED THE REPORTING REQUIREMENTS ON COMMERCIAL BANK FOREIGN EXCHANGE TRANSACTIONS. THE MONEY AND CAPITAL MARKETS ARE STILL VERY LIQUID, AND NEW CAPITAL MARKET ISSUES IN 1975 HIT A RECORD HIGH. A SURVEY OF 250 INDUSTRIAL FIRMS INDICATES THAT THE RECESSION IS SLOWING. ON AN ANNUAL BASIS, CONSUMER PRICES IN JANUARY WERE UP 3.4 PERCENT WHILE WHOLESALE

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PRICES DECLINED 4.3 PERCENT. A REVISED SET OF NATIONAL

ACCOUNTS DATA FOR 1968 THROUGH 1975 SHOWS THAT IN 1975
 REAL GNP FELL 7.0 PERCENT. THE FEDERAL COUNCIL HAS
 INCREASED THE MAXIMUM TIME A WORKER MAY DRAW COMPENSATION
 FOR WORKING SHORT TIME. PETROLEUM CONSUMPTION IN SWITZERLAND
 FELL 3.9 PERCENT IN 1975.

FINANCIAL

1. FOREIGN EXCHANGE AND GOLD: THE DOLLAR WAS RELATIVELY
 STABLE IN MODERATELY ACTIVE TRADING THIS WEEK. ONCE
 AGAIN THE GOLD MARKET WAS MORE ACTIVE THAN FOREIGN EXCHANGE,
 AND THE PRICE STRENGTHENED WHILE FLUCTUATING WIDELY. RATES AS
 FOLLOWS:

	2/2(OPEN)	2/6(CLOSE)
SPOT DOLLAR	SF 2.5990	SF 2.5923
FORWARD DISCOUNTS (PCT. P.A)		
ONE MONTH	- 4.3	- 4.6
2 MONTHS	- 4.2	- 4.4
3 MONTHS	- 4.2	- 4.3
6 MONTHS	- 3.7	- 3.9
12 MONTHS	- 3.4	- 3.5
SF/DM	SF 100.46	SF 100.71
GOLD	\$128.00	\$130.00

2. FOREIGN EXCHANGE REPORTING: AS OF JAN 30, THE SNB IS REQUIRING
 THE COMMERCIAL BANKS TO PROVIDE ADDITIONAL INFO ON THEIR FOREIGN
 EXCHANGE TRANSACTIONS. EACH BANK MUST NOW REPORT ITS NET FOREIGN
 EXCHANGE POSITION, INCLUDING CASH HOLDINGS AND FORWARD ASSETS
 AND LIABILITIES FOR THE ENTIRE BANK, I.E., INCLUDING DOMESTIC
 BRANCHES AND SUBSIDIARIES. THE POSITIONS OF FOREIGN BRANCHES
 AND SUBSIDIARIES NEED NOT BE INCLUDED (BUT MAY BE IN THE FUTURE--
 SEE BERN 514). REPORTS MUST BE SUBMITTED ON THE LAST WORKING DAY
 OF EACH MONTH, BUT THE SNB MAY ASK FOR ADDITIONAL REPORTS
 WHENEVER IT WISHES. BANKS IDENTIFIED BY THE SNB AS BEING INVOLVED
 IN LARGE INTERNATIONAL ARBITRAGE OPERATIONS MUST REPORT WEEKLY.
 IF A BANK'S NET POSITION IN ANY INDIVIDUAL CURRENCY
 CHANGES BY MORE THAN SF 10 MILLION BETWEEN TWO REFERENCE
 DATES, THIS MUST BE REPORTED IMMEDIATELY.

3. MONEY AND CAPITAL MARKETS: THE MARKETS ARE STILL
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VERY LIQUID. CALL MONEY RATE WAS UNCHANGED AT 0.25
 PERCENT AND THE MEDIAN YIELD ON OUTSTANDING CONFEDERATION
 BONDS EASED DOWNWARD FROM 5.40 PERCENT ON JANUARY 30
 TO 5.35 PERCENT ON FEBRUARY 6. ACTIVITY ON SWISS
 STOCK EXCHANGES CONTINUED AT A RELATIVELY HIGH
 LEVEL AND PRICES FIRMED. THE SKA INDEX ROSE FROM
 204.1 (END 1959 EQUALS 100) LAST FRIDAY TO 206.6 ON FEBRUARY 6.

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TO SECSTATE WASHDC 2111

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DEPT PASS TREASURY AND FRB

CAPITAL MARKET IN 1975: THE HIGH LIQUIDITY AND LOW
INTEREST RATES TO BE FOUND IN THE SWISS CAPITAL MARKET
DURING MOST OF 1975 PROMPTED A CONSIDERABLE INCREASE
IN NEW DOMESTIC AND FOREIGN ISSUES. NEW DOMESTIC
BOND ISSUES IN 1975 TOTALED A RECORD SF 5,956.5
MILLION, UP FROM SF 3,943.9 MILLION IN THE PRECEDING
YEAR. THE AMOUNT OF FOREIGN BOND ISSUES ROSE FROM
SF 1,011.3 MILLION IN 1974 TO SF 2,355.1 MILLION IN
1975. THE FIGURE FOR 1975, HOWEVER, WAS STILL BELOW
THE RECORD LEVELS ACHIEVED IN 1972 AND 1973. WITH THE
ADDITION OF NEW STOCK ISSUES AMOUNTING TO SF 1,089.9
MILLION, THE TOTAL AMOUNT OF NEW SECURITIES SOLD IN
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1975 TOTALED A NEW HIGH OF SF 9,401.5 MILLION, COMPARED WITH SF 5,571.0 MILLION IN 1974. AFTER DEDUCTION OF REPAYMENTS, THE SWISS CAPITAL MARKET PROVIDED A NET OF SF 8,565.8 MILLION IN 1975, AGAINST SF 4,905.7 MILLION IN THE PREVIOUS YEAR.

4. SNB STATEMENT OF ACCOUNT FOR JANUARY: SIGNIFICANT ENTRIES IN THE SNB'S STATEMENT OF ACCOUNT FOR JANUARY 1976 ARE SHOWN BELOW. THE MAJOR CHANGES ARE DUE TO UNWINDING OF END-OF-YEAR ASSISTANCE TO THE COMMERCIAL BANKS. ALTHOUGH THE SHORT-TERM SWAPS TOTALING SF 4,766 MILLION HAVE BEEN LARGELY LIQUIDATED, THE DECLINE IN FOREIGN EXCHANGE WAS PARTIALLY OFFSET BY MORE THAN SF 1 BILLION IN SNB INTERVENTION TO HOLD DOWN APPRECIATION OF THE SF IN EARLY JANUARY.

JAN. 30 CHANGE FROM DEC. 31

(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,893	--	
F/X	11,319	DOWN	3,387
ROOSA BONDS	5,403	--	
DISCOUNTED PAPER	261	DOWN	1,451
LOMBARD LOANS	10	DOWN	190
OTHER	775	DOWN	277
LIABILITIES			
NOTES IN CIRCULATION	17,912	DOWN	1,216
GIRO ACCOUNTS	6,695	DOWN	4,784
RESERVES(FOREIGN LIABL.)	177	UP	12
OTHER	4,877	UP	683
BALANCE SHEET TOTALS	29,661	DOWN	5,305

ECONOMIC

6. ECONOMIC SITUATION: BASED ON A SURVEY OF 250 INDUSTRIAL FIRMS, THE UNION BANK OF SWITZERLAND REPORTS THAT THE RECESSION IS SLOWING. A MAJORITY OF THE FIRMS SURVEYED PLAN TO REBUILD THEIR INVENTORIES OF RAW MATERIALS AND SEMI-FINISHED GOODS OVER THE NEXT FEW MONTHS WHICH SHOULD HELP TO STIMULATE BUSINESS ACTIVITY. FEW FIRMS, HOWEVER, ANTICIPATE ANY INVESTMENT IN NEW CAPITAL EQUIPMENT OR BUILDINGS

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UNTIL THE PROBLEMS OF EXCESS CAPACITY AND LOW SALES ARE RESOLVED.

7. PRICES: THE CONSUMER PRICE INDEX FOR THE END OF JANUARY WAS 165.9 (SEPTEMBER 1966 EQUALS 100) WHICH REPRESENTS AN INCREASE OF 0.5 PERCENT OVER DECEMBER AND A YEAR-TO-YEAR RISE OF 3.4 PERCENT. THE JANUARY INCREASE WAS THE SMALLEST RECORDED FOR THE PAST SIX YEARS. AT THE END OF JANUARY THE WHOLESALE PRICE INDEX STOOD AT 146.1 (1963 EQUALS 100), A DECLINE OF 0.1 PERCENT FROM DECEMBER AND A DROP OF 4.3 PERCENT OVER THE PREVIOUS TWELVE MONTHS.

8. NATIONAL ACCOUNTS REVISED: THE SWISS FEDERAL BUREAU OF STATISTICS HAS COMPLETED A FIVE-YEAR EFFORT TO REVISE SWITZERLAND'S NATIONAL ACCOUNTS. FOLLOWING EXTENSIVE REVISION AND RECONCILIATION OF INCOME AND EXPENDITURE DATA FOR 1970, THE BUREAU OF STATISTICS HAS ISSUED NEW ESTIMATES OF GNP FOR THE YEARS 1968 THROUGH 1975 AS SHOWN BELOW IN MILLIONS OF SF:

	OLD GNP	REVISED GNP	REAL GROWTH OF REVISED GNP (PERCENT)
1968	74,220	77,170	--
1969	80,930	84,020	5.5
1970	88,850	93,930	6.0
1971	100,760	106,485	3.9
1972	116,095	120,535	3.2
1973	129,370	134,525	3.2
1974	138,030	146,295	2.0
1975	--	144,640	-7.0

ON THE AVERAGE, THE REVISED FIGURES ARE ABOUT 5 PERCENT HIGHER THAN PREVIOUS ESTIMATES. THE 7.0 PERCENT DROP IN REAL GNP IN 1975, WHICH IS A RECORD DECLINE FOR ANY OECD COUNTRY SINCE THE SECOND WORLD WAR, IS DUE TO THE SHARP CONTRACTION IN CONSTRUCTION AND TO A DECLINE IN INVENTORIES. FOR 1976, THE BUREAU OF STATISTICS ANTICIPATES THAT THERE WILL BE A SMALL REAL GROWTH OF GNP DUE TO INCREASED WORLD DEMAND FOR SWISS EXPORTS, PUBLIC SECTOR SPENDING PROGRAMS, AND LIQUID MONEY MARKET CONDITIONS.

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9. WORKERS' COMPENSATION: THE FEDERAL COUNCIL HAS INCREASED FROM 12 TO 18 MONTHS THE MAXIMUM PERIOD A WORKER ON SHORT TIME MAY DRAW COMPENSATION. APPROXIMATELY 4.6 PERCENT OF THE LABOR FORCE IS WORKING SHORT TIME (SEE BERN 0514), AND ABOUT 65 PERCENT OF ALL BENEFITS BEING PAID UNDER UNEMPLOYMENT INSURANCE PROGRAMS IS GOING TO PEOPLE ON SHORT TIME.

10. PETROLEUM CONSUMPTION: SWISS CONSUMPTION OF PETRO-
LEUM PRODUCTS FELL 3.9 PERCENT IN 1975, FOLLOWING AN
11 PERCENT DECLINE IN 1974. THE DECLINE WAS DUE TO
A DECREASE IN INDUSTRIAL DEMAND. PRIVATE CONSUMPTION
OF HEATING OIL ROSE 0.7 PERCENT IN 1975, DUE TO A
COLDER WINTER, AND THE AMOUNT OF GASOLINE USED WAS
UP 1.4 PERCENT.
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